



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

5 CFR Parts 1630, 1632 and 1650

Cost-of-Living Adjustments and Identity Verification

AGENCY: Federal Retirement Thrift Investment Board.

ACTION: Proposed Rule.

SUMMARY: The Federal Retirement Thrift Investment Board ("FRTIB") is proposing to amend its regulations to change the cost-of-living adjustment rate used to calculate the annual increase for annuities with an increasing payment option, effective January 18, 2020, and to clarify its requirements regarding identification verification and availability of announcements of meetings open to public observation.

DATES: Comments must be received on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may send comments, identified by Docket ID number FRTIB-2019-0004, by any of the following methods:

- Federal eRulemaking Portal: <http://www.regulations.gov>.
Follow the instructions for submitting comments.
- Fax: (202) 942-1676.
- Mail or Hand Deliver/Courier: Office of General Counsel,
Attn: Megan G. Grumbine, Federal Retirement Thrift

Investment Board, 77 K Street NE, Suite 1000,
Washington, DC 20002.

FOR FURTHER INFORMATION CONTACT: Austen Townsend, (202)
864-8647.

SUPPLEMENTARY INFORMATION: The FRTIB administers the Thrift Savings Plan (TSP), which was established by the Federal Employees' Retirement System Act of 1986 (FERSA), Public Law 99-335, 100 Stat. 514. The TSP provisions of FERSA are codified, as amended, largely at 5 U.S.C. 8351 and 8401-79. The TSP is a tax-deferred retirement savings plan for federal civilian employees and members of the uniformed services. The TSP is similar to cash or deferred arrangements established for private-sector employees under section 401(k) of the Internal Revenue Code (26 U.S.C. 401(k)).

Cost-of Living Adjustment

A TSP participant has a variety of withdrawal options to choose from when electing to receive a post-separation withdrawal of some or all of his or her account balance. One such option is an annuity with an increasing payment option based on an annual cost-of-living adjustment (COLA) calculation. Under this increasing payment option, the

amount of the monthly annuity payment can increase each year on the anniversary date of the first payment.

Current Cost-of-Living Adjustment

Currently, when a TSP participant elects to receive an annuity with an increasing payment option, the increase in the amount of his or her monthly annuity payment each year is based on the annual change in inflation, as measured by the Consumer Price Index (CPI). Increases cannot exceed 3 percent per year.

When a TSP participant elects to receive some or all of his or her account balance in the form of an annuity with an increasing payment option, the TSP purchases the annuity for the participant from its annuity vendor. Although the actual change in inflation varies from year to year, the annuity vendor's pricing for this variable increase rate assumes an annual increase of 3 percent when calculating monthly annuity payments even when the calculated COLA turns out to be below 3 percent.

Proposed Cost-of-Living Adjustment

The FRTIB is proposing to change its COLA from the variable rate described above to a fixed rate of 2 percent per year. The Federal Open Market Committee (FOMC) has set

an inflation target of 2 percent and implements that target over the medium term. Indeed, over the last 20 years, inflation, as measured by the CPI, has averaged 1.95 percent annually, which is the expected result given the FOMC inflation target.

Using a fixed rate of 2 percent offers two benefits. First, the FRTIB anticipates that fixing the rate at 2 percent will result in a higher initial monthly annuity payment on average. Assuming an inflation rate of 2 percent, a participant's initial monthly annuity payment will, on average, likely be 10 to 15 percent higher than it would have been under the variable rate. Although this increase comes at the expense of a smaller amount of inflation protection (*i.e.*, protection only up to 2 percent per year as opposed to 3 percent), using a fixed rate makes it less likely that participants will pay for more inflation protection than they need.

Second, a fixed rate produces a predictable rate of increase allowing participants to have a predictable pattern of income. Annual changes in a COLA based on the annual change in inflation can vary from year-to-year. This volatility can lead to participant uncertainty about

how much, if any, their benefit will increase each year. However, the fixed rate has the added benefit of producing a predictable pattern of income.

As with all contract provisions, the FRTIB will regularly review the COLA to ensure that it continues to be beneficial for TSP participants.

Identity Verification

The FRTIB is proposing to amend its rules promulgated under the Privacy Act of 1974, as amended, to clarify that TSP participants may be required to provide identifying particulars in order to access their account information.

Announcement of Public Meetings

The FRTIB is proposing to amend its rule regarding access to announcements of meetings open to public observation to reflect its existing practice of maintaining the annual Board meeting schedule online at frtib.gov and publishing announcements of meetings open to public observation in the Federal Register.

Regulatory Flexibility Act

I certify that this regulation will not have a significant economic impact on a substantial number of small entities. This regulation will affect Federal

employees, members of the uniformed services who participate in the TSP, and beneficiary participants.

Paperwork Reduction Act

I certify that these regulations do not require additional reporting under the criteria of the Paperwork Reduction Act.

Unfunded Mandates Reform Act of 1995

Pursuant to the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 602, 632, 653, and 1501-1571, the effects of this regulation on state, local, and tribal governments and the private sector have been assessed. This regulation will not compel the expenditure in any one year of \$100 million or more by state, local, and tribal governments, in the aggregate, or by the private sector. Therefore, a statement under 2 U.S.C. 1532 is not required.

List of Subjects

5 CFR part 1630

Privacy.

5 CFR part 1632

Sunshine Act.

5 CFR part 1650

Alimony, Claims, Government employees, Pensions, Retirement

Ravindra Deo,
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Federal Retirement Thrift Investment Board.

For the reasons stated in the preamble, the FRTIB
proposes to amend 5 CFR Chapter VI as follows:

PART 1630 - PRIVACY ACT REGULATIONS

1. The authority citation continues to read as follows:

Authority: 5 U.S.C. 552a.

2. Amend § 1630.4 by revising paragraph (a)(2) to read as
follows:

§ 1630.4 Request for notification and access.

(a) * * *

(2) Participants may also inquire whether this system
contains records about them and access certain records
through the account access section of the TSP Web site and
the ThriftLine (the TSP's automated telephone system). The
TSP Web site is *www.tsp.gov*. To use the TSP ThriftLine, the
participant must have a touch-tone telephone and call (877)

968-3778. Information such as account balance and transaction status is available on the TSP Web site and the ThriftLine. To access these features, the participant may be required to verify his or her identity by providing identifying particulars.

3. Amend § 1630.7 by revising paragraph (c)(3) to read as follows:

§ 1630.7 Identification requirements.

* * * * *

(c) * * *

(3) A participant may also access the TSP Web site or call the TSP ThriftLine to obtain account information. These systems may require identity and account verification information and may require the participant to verify his or her identity by providing identifying particulars.

PART 1632 - RULES REGARDING PUBLIC OBSERVATION OF MEETINGS

4. The authority for this citation continues to read as follows:

Authority: 5 U.S.C. 552b and 8474.

5. Amend § 1632.4 by revising paragraph (c) to read as follows:

§ 1632.4 Meetings open to public observation.

* * * * *

(c) The annual Board meeting schedule will be maintained on frtib.gov. In addition, agency announcements of meetings open to public observation will be published in the Federal Register. Requests for announcements may be made by telephoning or by writing to the Office of External Affairs, Federal Retirement Thrift Investment Board, 77 K Street, NE, Suite 1000, Washington, DC 20002.

PART 1650 - METHODS OF WITHDRAWING FUNDS FROM THE THRIFT SAVINGS PLAN

6. The authority citation continues to read as follows:

Authority: 5 U.S.C. 8351, 8432d, 8433, 8434, 8435, 8474(b)(5) and 8474(c)(1).

7. Amend § 1650.14 by revising paragraph (g)(4) to read as follows:

§ 1650.14 Annuities.

* * * * *

(g) * * *

(4) *Either a single life or joint (with spouse) life annuity with increasing payments.* This annuity provides monthly payments to the participant only, or to the

participant and spouse, as applicable. The monthly payments are increased once each year on the anniversary of the first payment by a fixed rate of 2 percent. If the participant chooses a joint life annuity, the annual 2 percent increase also applies to benefits received by the survivor.

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